SPECIAL PULL-OUT: THE 1989 PROMOTIONS CALENDAR

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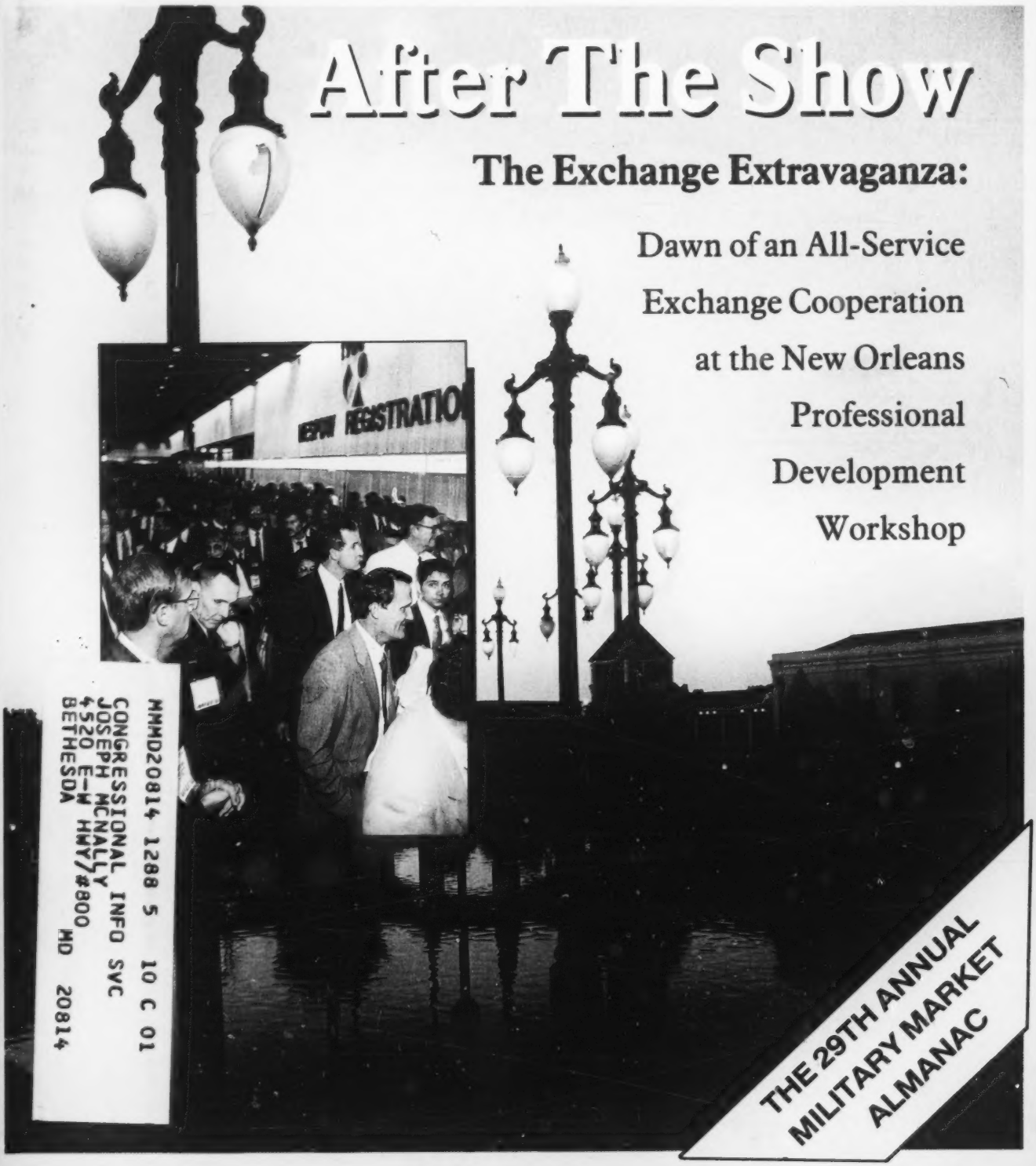
Military Market

MAGAZINE FOR THE MILITARY RESALE SYSTEM | ARMY TIMES PUBLISHING COMPANY | OCTOBER 1988 $4.00

After The Show

The Exchange Extravaganza:

Dawn of an All-Service Exchange Cooperation at the New Orleans Professional Development Workshop



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THE 29TH ANNUAL MILITARY MARKET ALMANAC

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COVER DESIGN BY PAUL JORDAN; COVER PHOTOGRAPHS BY KATE PATTERSON

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serving the military resale system

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AAFES is getting ready for some new ventures

Testing new ventures is nothing new for the Army and Air Force Exchange Service. In fact, AAFES experiments with risky business deals every year — and this year is no exception.

Here are some projects AAFES plans to undertake, according to announcements made during the Military Exchange Services Professional Development Workshop:

■ **Optometrist concession** — This center, at Robinson Barracks, West Germany, would provide a much needed service there.

Eye exams for glasses and contact lenses as well as fitting will be provided. Eyeglasses would have to be purchased at optical shops in exchanges, however.

Although the bidding process has not started, the center is scheduled to open in January 1989, said Maj. James Heaberg, AAFES spokesman.

A pilot eye care center is currenfly operating at Ft. Lewis, Wash. "It is rated high for service and moderately successful, from a business standpoint," Heaberg said. But the purpose of these centers is to provide the service, not to gain profits, he added.

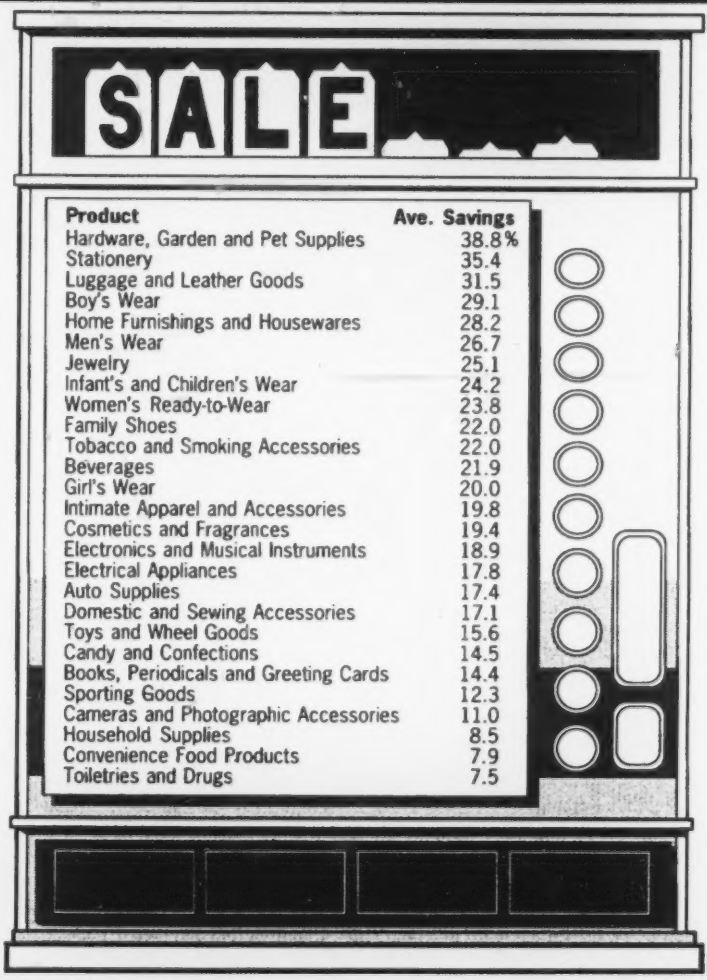
■ **Vendor fixture catalog** — The catalog has been revised to guarantee improved presentation, increased service and effective display image.

The new catalog, which should be available in all stores, is easier to read and has numerous illustrations. It is also alphabetically filed by applicable department number and offers the basic information to order each item.

■ **Call America program** — AAFES is considering establishing a program that would offer discounted overseas calls for military personnel and their families. Several long distance carriers will be contacted for the joint venture. No further information on the program was available at press time.

■ **Income tax preparation** — Currently, AAFES is coordinating a program to solicit this service from headquarters to be ready for next year's tax season.

Best buys in Navy exchanges



Product	Ave. Savings
Hardware, Garden and Pet Supplies	38.8%
Stationery	35.4
Luggage and Leather Goods	31.5
Boy's Wear	29.1
Home Furnishings and Housewares	28.2
Men's Wear	26.7
Jewelry	25.1
Infant's and Children's Wear	24.2
Women's Ready-to-Wear	23.8
Family Shoes	22.0
Tobacco and Smoking Accessories	22.0
Beverages	21.9
Girl's Wear	20.0
Intimate Apparel and Accessories	19.8
Cosmetics and Fragrances	19.4
Electronics and Musical Instruments	18.9
Electrical Appliances	17.8
Auto Supplies	17.4
Domestic and Sewing Accessories	17.1
Toys and Wheel Goods	15.6
Candy and Confections	14.5
Books, Periodicals and Greeting Cards	14.4
Sporting Goods	12.3
Cameras and Photographic Accessories	11.0
Household Supplies	8.5
Convenience Food Products	7.9
Toiletries and Drugs	7.5

Source: Erhart-Babic, market researchers

ATPCO

Steven Turtil

Savings look good at exchanges

Independent surveys show customers save an average of 21.2 percent when they shop at Navy exchanges, and 24.9 in Army and Air Force exchanges.

The overall Navy results show slightly higher savings for customers than the 21 percent reported in 1987. John Russas, a Navy Resale Services and Support Office spokesman, said Navy exchanges have never failed to meet their goal of 20-percent average savings. In some years, the rate has climbed to 23 percent. On occasion, individual exchanges fall below 20 percent, he said.

Erhart-Babic, a market research firm headquartered in Englewood Cliffs, N.J., conducted the survey in June by comparing the prices of 300 items sold in Navy exchanges with prices at nearby commercial retail stores, such as J.C. Penney, Sears, Dart Drug, K mart and People's Drug stores.

According to the 1988 A.C. Nielsen price comparison survey conducted at 17 Army and Air Force installations, the price comparison survey showed that, 93 percent of the time, AAFES prices were lower than commercial stores.

A total of 317 items were surveyed, through five test purchases of each product at every location. The survey compared regular-priced items, including items on promotion, with AAFES' regular price merchandise.

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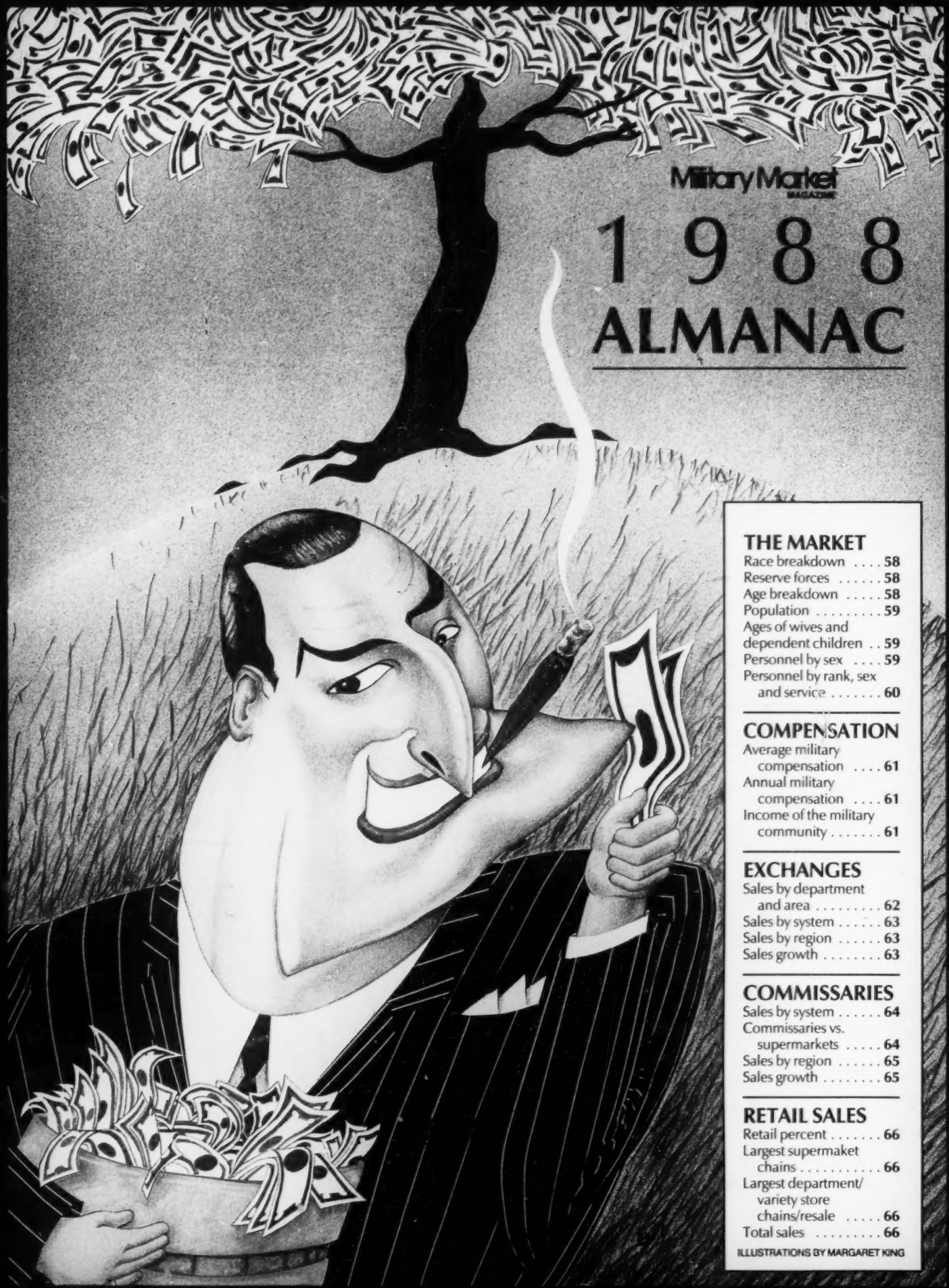

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ILLUSTRATIONS BY MARGARET KING

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THE MARKET

RACE BREAKDOWN OF ACTIVE DUTY MILITARY

CAUCASIAN
1,577,385
72.4%

BLACK
427,112
19.6%

HISPANIC
87,023
4.0%

OTHER
87,625
4.0%

As of August 8, 1988 — Research Department, Army Times Publishing Co.

AGE BREAKDOWN OF ACTIVE DUTY MILITARY

Years of age	Men	Women	All
UNDER 21	18.17%	16.82%	18.03%
21–25 YEARS	34.20%	38.19%	34.61%
26–29 YEARS	17.80%	21.36%	18.17%
30–34 YEARS	14.76%	15.91%	14.88%
35–39 YEARS	11.11%	6.82%	10.66%
40 AND OVER	3.96%	0.90%	3.65%

As of March 31, 1988
Does Not Include Coast Guard.
Source: DoD Directorate Information Operations & Reports (DIOR).

RESERVE FORCES IN PAID STATUS

ARMY NATIONAL GUARD	
Officers	45,040
Enlisted	403,981
Total	**449,021**
ARMY RESERVE	
Officers	59,660
Enlisted	255,449
Total	**315,129**
NAVAL RESERVE	
Officers	27,210
Enlisted	121,885
Total	**149,095**
MARINE CORPS RESERVE	
Officers	3,581
Enlisted	38,489
Total	**42,070**
AIR NATIONAL GUARD	
Officers	13,856
Enlisted	100,219
Total	**114,075**
AIR FORCE RESERVE	
Officers	16,565
Enlisted	63,980
Total	**80,545**
DoD RESERVES (Total)	
Officers	165,932
Enlisted	984,003
Total	**1,149,935**
COAST GUARD RESERVE*	
Officers	1,602
Enlisted	10,951
Total	**12,553**
TOTAL (All Services)	
Officers	167,534
Enlisted	994,954
Total	**1,162,488**

As of March 31, 1988.
*The Coast Guard is part of the Department of Transportation.
Source: Defense Manpower Data Center.

POPULATION OF THE MILITARY COMMUNITY*

	Number	Percent
Active Duty		
Active Duty Males	1,953,499	15.7%
Active Duty Females	225,646	1.8%
Total Active Duty Personnel	2,179,145	17.5%
Spouses of Active Duty Military	1,173,376	9.5%
Children of Active Duty Military	1,654,087	13.3%
Other Dependents of Active Duty	70,271	0.6%
Total Active Duty Community	**5,076,879**	**40.9%**
Retirees		
Retired Military**	1,534,919	12.4%
Spouses of Retired Military	1,267,971	10.2%
Children of Retired Military	1,747,120	14.1%
Total Retired Military Community	**4,550,010**	**36.7%**
Reservists		
Reservists in Paid Status		
Males	1,027,503	8.3%
Females	134,985	1.1%
Total	1,162,488	9.4%
Spouses of Reservists	735,855	5.9%
Children of Reservists	883,026	7.1%
Total Paid Status Reservists Community	**2,781,369**	**22.4%**
Total Military Community	**12,405,258**	**100.0%**

*Includes U.S. Coast Guard in Active Duty, Reserves and Retired.
**Includes 129,000 families receiving survivors benefits.
Source: Directorate for Information Operations and Reports, Department of Defense.
As of March 31, 1988 — Research Department, Army Times Publishing Co.

AGE DISTRIBUTION OF DEPENDENT CHILDREN OF ACTIVE DUTY MILITARY PERSONNEL

Age Group	Number	Percent
UNDER 5 YEARS	460,700	28.0
5–9 YEARS	646,700	39.0
10–14 YEARS	339,900	20.5
15–17 YEARS	134,000	8.1
18–20 YEARS	72,800	4.4
Total Dependent Children	**1,654,100**	**100.0**

Source: DoD and DoD/Rand Surveys.

ACTIVE DUTY MILITARY PERSONNEL BY SEX

	Total Active Duty	Percent Male	Percent Female
CY1987	2,211,871	89.8%	10.2%
CY1986	2,205,497	89.8%	10.2%
CY1985	2,190,016	90.2%	9.8%
CY1984	2,176,628	90.6%	9.4%
CY1983	2,123,349	90.7%	9.3%
CY1982	2,108,612	91.0%	9.0%

As of September 30th for each year listed.
Source: DoD and Department of Transportation.

AGE DISTRIBUTION OF WIVES OF ACTIVE DUTY MILITARY

Age Group	Number	Percent
UNDER 20 YEARS	118,500	10.1
20–24 YEARS	418,900	35.7
25–29 YEARS	257,000	21.9
30–34 YEARS	217,100	18.5
35–39 YEARS	115,000	9.8
40 YEARS AND OVER	46,900	4.0
Total Wives Of Active Duty Military	**1,173,400**	**100.0**

Source: DoD and DoD/Rand Surveys.

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THE MARKET

ACTIVE DUTY MILITARY PERSONNEL BY RANK, SEX AND SERVICE

	Army		Navy		Marine Corps		Air Force	
Rank	Male	Female	Male	Female	Male	Female	Male	Female
Officers								
O7-O10	392	4	254	2	69	1	332	2
O-6	4,589	104	3,638	105	641	6	5,524	119
O-5	10,650	529	7,354	402	1,591	30	12,028	465
O-4	15,451	1,577	12,079	1,423	3,149	82	18,143	1,612
O-3	29,935	4,584	19,727	2,886	5,930	232	36,518	5,666
O-2	14,068	2,981	8,826	1,159	3,892	142	12,521	2,622
O-1	6,566	1,490	9,353	1,131	2,577	89	9,262	2,393
Warrant Officers	14,664	363	2,894	28	1,358	45	0	0
Total Officers	96,275	11,632	64,125	7,136	19,207	627	94,328	12,879
Enlisted								
E-9	4,467	32	4,280	16	1,458	13	5,056	28
E-8	15,079	274	9,763	116	3,824	57	10,251	190
E-7	50,347	2,354	31,388	1,032	9,359	211	37,418	1,428
E-6	82,068	7,285	76,700	5,442	14,887	685	53,834	4,902
E-5	106,627	14,595	90,057	10,298	23,201	1,794	97,306	14,772
E-4	159,049	24,934	92,537	11,473	32,110	2,248	101,400	16,458
E-3	82,663	11,528	80,886	12,527	53,110	2,603	79,392	16,410
E-2	53,116	5,828	41,515	3,439	20,403	984	24,415	5,430
E-1	30,905	4,896	30,462	3,090	9,937	409	11,675	2,744
Total Enlisted	584,321	71,726	457,588	47,433	168,289	9,004	420,747	62,362
Cadets & Midshipmen	3,799	458	5,082	395	0	0	3,792	552
Grand Total	684,395	83,816	526,795	54,964	187,127	9,631	518,867	75,793

	Total DoD			Coast Guard		Total All Services		
Rank	Male	Female	Total	Male	Female	Male	Female	Total
Officers								
O7-O10	1,047	9	1,056	29	0	1,076	9	1,085
O-6	14,352	334	14,686	339	0	14,691	334	15,025
O-5	31,623	1,426	33,049	642	2	32,265	1,428	33,693
O-4	48,822	4,694	53,516	948	15	49,770	4,709	54,479
O-3	92,110	13,368	105,478	1,535	54	93,645	13,422	107,067
O-2	39,307	6,904	46,211	1,068	78	40,375	6,982	47,357
O-1	27,758	5,103	32,861	402	60	28,160	5,163	33,323
Warrant Officers	18,916	436	19,352	1,462	5	20,378	441	20,819
Total Officers	273,935	32,274	306,209	6,425	214	280,360	32,360	312,848
Enlisted								
E-9	15,261	89	15,350	380	0	15,641	89	15,730
E-8	38,917	637	39,554	510	0	39,427	637	40,064
E-7	128,512	5,025	133,537	2,807	25	131,319	5,050	136,369
E-6	227,489	18,314	245,803	5,431	205	232,902	18,519	251,421
E-5	317,191	41,459	358,650	5,120	436	322,311	41,895	364,206
E-4	385,096	55,113	440,209	6,475	574	391,571	55,687	447,258
E-3	296,051	43,068	339,119	4,236	518	300,287	43,586	343,873
E-2	139,449	15,681	155,130	3,009	470	142,458	16,151	158,609
E-1	82,979	11,139	94,118	712	125	83,691	11,264	94,955
Total Enlisted	1,630,945	190,525	1,821,470	28,662	2,353	1,659,607	192,878	1,852,485
Cadets & Midshipmen	12,673	1,405	14,078	0	0	12,673	1,405	14,078
Grand Total	1,917,553	224,204	2,141,757	35,087	2,567	1,952,640	226,771	2,179,411

All data as of March 31, 1988

1988 ALMANAC

COMPENSATION

1988 ACTIVE DUTY MILITARY ANNUAL COMPENSATION

Average Military Compensation	$29,438*
Regular Military Compensation	23,143
Basic Pay	16,233
Basic Allowance for Quarters	2,584
Variable Housing Allowance	691
Station Allowance Overseas	254
Subsistence Allowance	1,830
Federal Income Tax Advantage	1,551
Special Pays & Consumption Advantage	6,295
Special Allowance	564
Special and Incentive Pays, Bonuses	1,097
Commissary and Exchange Savings	546
Free/Reduced Cost Medical, Dental Care	2,359
Retirement Credit, Current Year's Service	672
Social Security Payments (Government Contributions)	1,057

*Annual rate, including value of fringe benefits and consumption advantages. The breakdown above represents per-capita amounts derived by dividing the total value of each category by the number of active duty personnel.

Source: DoD Personnel Budget for fiscal 1988.

AVERAGE MILITARY COMPENSATION FOR THE LAST TEN YEARS

FY 1979	$ 16,594
FY 1980	18,420
FY 1981	20,546
FY 1982	23,538
FY 1983	24,656
FY 1984	25,902
FY 1985	26,915
FY 1986	27,682
FY 1987	28,416
FY 1988	29,438

Source: DoD Military Personnel Budget for the years shown.

TOTAL INCOME OF THE MILITARY COMMUNITY — FISCAL 1988

Active Duty Military		Retired Military		Reservists In Paid Status	
Total	$72.3		$55.5		$35.8
Military pay, allowances, benefits	64.2	Pensions	19.1	Employment	23.6
Moonlighting and working spouses income	8.1	Second career jobs	26.5	Working spouses income	6.4
		Working spouses income	9.9	Reservist training pay	5.8
Total Income of the Military Community					$163.6 billion

Source: DoD Personnel Budget for fiscal 1988 and Department of Commerce and Bureau of the Census data for non-government income of families in the military community.

1988 ALMANAC

EXCHANGES

CY 1987 MILITARY EXCHANGE SALES BY DEPARTMENT AND BY AREA

DEPARTMENT	DOMESTIC	%	OVERSEAS	%	WORLDWIDE	%
Automotive[1]	$116,183,476	2.7	$58,775,724	2.4	$174,959,200	2.6
Gasoline[2]	340,530,225	8.0	154,494,681	6.2	495,024,906	7.3
Automotive Labor[3]	21,156,065	0.5	4,993,928	0.2	26,149,993	0.4
Tobacco Products, including Vending	271,718,114	6.4	69,460,871	2.8	341,178,985	5.1
Military Uniforms including DPSC Mdse.[4]	252,717,134	5.9	79,653,825	3.2	332,370,959	4.9
Food & Juices	242,558,000	5.7	177,062,755	7.1	419,620,755	6.2
Beer & Sodas	252,593,100	5.9	145,821,900	5.9	398,415,000	5.9
Health & Beauty Aids	211,780,720	5.0	99,224,139	4.0	311,004,859	4.6
Cosmetics & Fragrances	114,072,695	2.7	44,980,145	1.8	159,052,840	2.4
Jewelry, including precious jewelry	118,297,891	2.8	84,197,540	3.4	202,495,431	3.0
Watches	54,751,356	1.3	25,296,170	1.0	80,047,526	1.2
Stationery	79,320,399	1.9	27,807,817	1.1	107,128,216	1.6
Greeting Cards & Paper Goods	51,900,136	1.2	24,447,294	1.0	76,347,430	1.1
Books & Periodicals	101,592,668	2.4	29,047,160	1.2	130,639,828	1.9
Men's Outerwear	94,434,159	2.2	52,333,582	2.1	146,767,741	2.2
Men's Furnishings	175,870,388	4.1	80,537,952	3.2	256,408,340	3.8
Women's Outerwear	145,072,457	3.4	75,910,836	3.1	220,983,293	3.3
Women's Furnishings	94,544,703	2.2	34,308,497	1.4	128,853,201	1.9
Boyswear	41,533,448	1.0	23,156,336	0.9	64,689,784	1.0
Girlswear	33,924,301	0.8	20,830,907	0.8	54,755,207	0.8
Infants' & Toddlers' Wear	51,110,813	1.2	31,535,146	1.3	82,645,959	1.2
Footwear	144,245,387	3.4	65,896,411	2.7	210,141,798	3.1
Linens & Domestics	32,292,877	0.8	17,007,941	0.7	49,300,819	0.7
Yardage & Sewing Notions	10,547,878	0.2	16,334,078	0.7	26,881,957	0.4
Dinnerware & Flatware	17,967,676	0.4	12,355,506	0.5	30,323,183	0.4
Kitchenware	48,955,110	1.2	26,337,482	1.1	75,292,592	1.1
Giftware	45,601,342	1.1	48,370,143	1.9	93,971,485	1.4
Cleaning Supplies	58,789,442	1.4	28,971,832	1.2	87,761,274	1.3
Traffic & Major Appliances	89,610,747	2.1	66,304,478	2.7	156,115,225	2.3
Furniture & Home Furnishings	47,138,855	1.1	82,359,402	3.3	129,498,257	1.9
Hardware & Pet Supplies	103,731,420	2.4	32,379,972	1.3	136,111,392	1.9
Luggage	34,697,322	0.8	12,186,517	0.5	46,883,839	0.7
Garden/Patio Furniture	102,210,579	2.4	15,114,634	0.6	117,325,213	1.8
Sporting Goods	61,365,314	1.4	34,970,875	1.4	96,336,188	1.4
Photo Finishing	27,315,785	0.6	7,092,607	0.3	34,408,392	0.5
Photography & Optical	85,026,189	2.0	60,684,645	2.4	145,710,834	2.2
Toys, Games & Bicycles	82,287,636	1.9	72,133,116	2.9	154,420,752	2.3
Consumer Electronics	308,989,767	7.3	459,417,213	18.5	768,406,980	11.4
Recorded Sound & Video	66,777,263	1.6	79,123,434	3.2	145,900,697	2.2
Distilled Spirits & Wine[5]	21,786,963	0.5	4,406,606	0.2	26,193,569	0.4
Total Retail Departments*	**$4,256,019,800**	**100.0**	**$2,485,704,800**	**100.0**	**$6,741,724,600**	**100.0**

[1] AAFES Retail Dept. 1 and Navy Dept. C-8. [2] AAFES Retail Dept. 2 and Navy Service Dept. J-3. [3] AAFES Retail Dept. 3 and Navy Service Dept. J-5. [4] AAFES Retail Depts. 19 & 40; Navy Dept. E-1 and Service Dept. L-1. [5] Navy exchanges assumed control of Navy package stores in October 1987. Sales figures shown cover a four-month period — October 1987 through January 1988 for distilled spirits and wines in Navy package stores.

* With the exceptions indicated in footnotes 1–4, above totals do not include income from services such as cafeterias, snack bars, beauty and barber shops, or concessions. No vending sales are included except cigarette vending, as noted above.

Research Department, Army Times Publishing Company

PERCENT OF EXCHANGE SALES BY SYSTEM WORLDWIDE CY 1987

	Worldwide Sales	Percent of Total Sales
AAFES	$5,854.7	69.3
Navy	1,873.5	22.2
Marine Corps	425.1	5.0
Coast Guard	106.6	1.3
VCS	183.3	2.2
Total	$8,443.2	100.0

$ in billions.

EXCHANGE SALES GROWTH

CY 1978	$4.840
CY 1979	$5.286
CY 1980	$5.944
CY 1981	$6.388
CY 1983	$7.083
CY 1982	$6.878
CY 1984	$7.194
CY 1985	$7.238
CY 1986	$7.613
CY 1987	$8.443

$ in billions. Source: Resale systems' headquarters.

EXCHANGE SALES BY REGION

System	Domestic Sales	Percent of Total Sales	Overseas Sales	Percent of Total Sales	Worldwide Sales
AAFES	$3,328.6	56.8%	$2,526.1	43.2%	$5,854.7
Navy	1,418.2	75.7	455.3	24.3	1,873.5
Marine Corps	396.8	93.3	28.3	6.7	425.1
Coast Guard	96.7	90.7	9.9	9.3	106.6
VCS	183.3	100.0			183.3

$ in millions

1988 ALMANAC

COMMISSARIES

PERCENT OF COMMISSARY SALES BY SYSTEM WORLDWIDE CY 1987

	Worldwide Sales	Percent of Total Sales
Air Force	$2,320.8	44.1
Army	1,857.4	35.3
Navy	851.1	16.2
Marine Corps	167.5	3.2
Coast Guard	5.0	0.1
State Department	60.2	1.1
Total	$5,262.0	100.0

$ in millions.

COMPARISON OF PERCENT SALES BY MAJOR DEPARTMENT: MILITARY COMMISSARIES, BY BRANCH OF SERVICE, VERSUS CIVILIAN SUPERMARKETS

Operating Ratio	Average Percent of Total Sales Meat	Average Percent of Total Sales Produce	Average Percent of Total Sales Grocery
Army Commissaries	13.9	4.7	81.4
Air Force Commissaries	16.0	5.4	78.6
Navy Commissaries	17.5	6.7	75.8
Marine Corps Commissaries	16.6	6.0	77.4
Combined Military Commissaries	15.5	5.4	79.1
Civilian Supermarkets	18.8	10.3	70.9

Sources: For commissaries, reports received from headquarters offices of the four military commissary systems shown.

Surcharge has not been included.

For civilian supermarkets: "1988 Supermarket Sales Manual," *Progressive Grocer*, July 1988. To insure comparability, the percent of total sales by department exclude those categories of items not stocked in military commissaries, such as beer, wine, housewares, softgoods, books, periodicals and other non-food general merchandise. However, tobacco sales have been retained, even though Navy commissaries stock these items on a limited basis.

COMMISSARY SALES BY REGION CY 1987

System	Domestic Sales	Percent of Total Sales	Overseas Sales	Percent of Total Sales	Worldwide Sales
Air Force	$1,958.8	84.4%	$362.0	15.6%	$2,320.8
Army	1,352.2	72.8	505.2	27.2	1,857.4
Navy	752.4	88.4	98.7	11.6	851.1
Marine Corps	164.0	97.9	3.5	2.1	167.5
Coast Guard	5.0	100.0			5.0
State Department			60.2	100.0	60.2
Totals	$4,232.4		$1,029.6		$5,262.0

$ in millions

COMMISSARY SALES GROWTH

CY1978	CY 1979	CY 1980	CY 1981	CY 1982	CY 1983	CY 1984	CY 1985	CY 1986	CY 1987
$3.283	$3.604	$3.919	$4.251	$4.476	$4.705	$4.874	$4.918	$5.047	$5.262

$ in billions SOURCE: Headquarter offices of commissary systems.

LARGEST DEPARTMENT/VARIETY STORE CHAINS

		1987	1986			1987	1986
1	Sears	$28.1	$27.1	7	Dayton-Hudson	8.6	8.2
2	K mart	23.8	21.3	8	**Worldwide Military Exchanges**	**8.4**	**7.6**
3	Wal-Mart	15.9	11.9				
4	J.C. Penney	15.3	14.7	9	F.W. Woolworth	7.1	6.5
5	May Department Stores	10.6	10.3	10	Zayre	6.2	5.3
6	Federated Department Stores	8.8	8.4	11	**Domestic Military Exchanges**	**5.4**	**5.2**

$ in billions.

Source: Sales of civilian department store chains were obtained from the following on-line computer databases: Standard and Poor's Corporate Descriptions and Disclosures Online. Military exchange sales are as reported by the headquarters offices of the various exchange systems.

THE MARKET'S RETAIL SALES

COMMISSARIES
$5,262.0 million
38.4%

EXCHANGES*
$8,443.2 million
61.6%

TOTAL
$13,705.2 million
100%

*Includes sales by mail order, catalog, concessions, food service, personal services, etc.

COMBINED COMMISSARY AND EXCHANGE SALES

CY 1977	$7.454 billion
CY 1978	$8.123 billion
CY 1979	$8.890 billion
CY 1980	$9.863 billion
CY 1981	$10.640 billion
CY 1982	$11.354 billion
CY 1983	$11.789 billion
CY 1984	$12.068 billion
CY 1985	$12.155 billion
CY 1986	$12.660 billion
CY 1986	$13.705 billion

Combined CY 1987 sales for commissaries and exchanges were $13.7 billion. Worldwide military commissaries rose to eighth place from ninth place in 1986, while Supermarkets General feel from seventh to ninth place. Domestic military commissaries maintained the tenth rank position they had held in 1986.

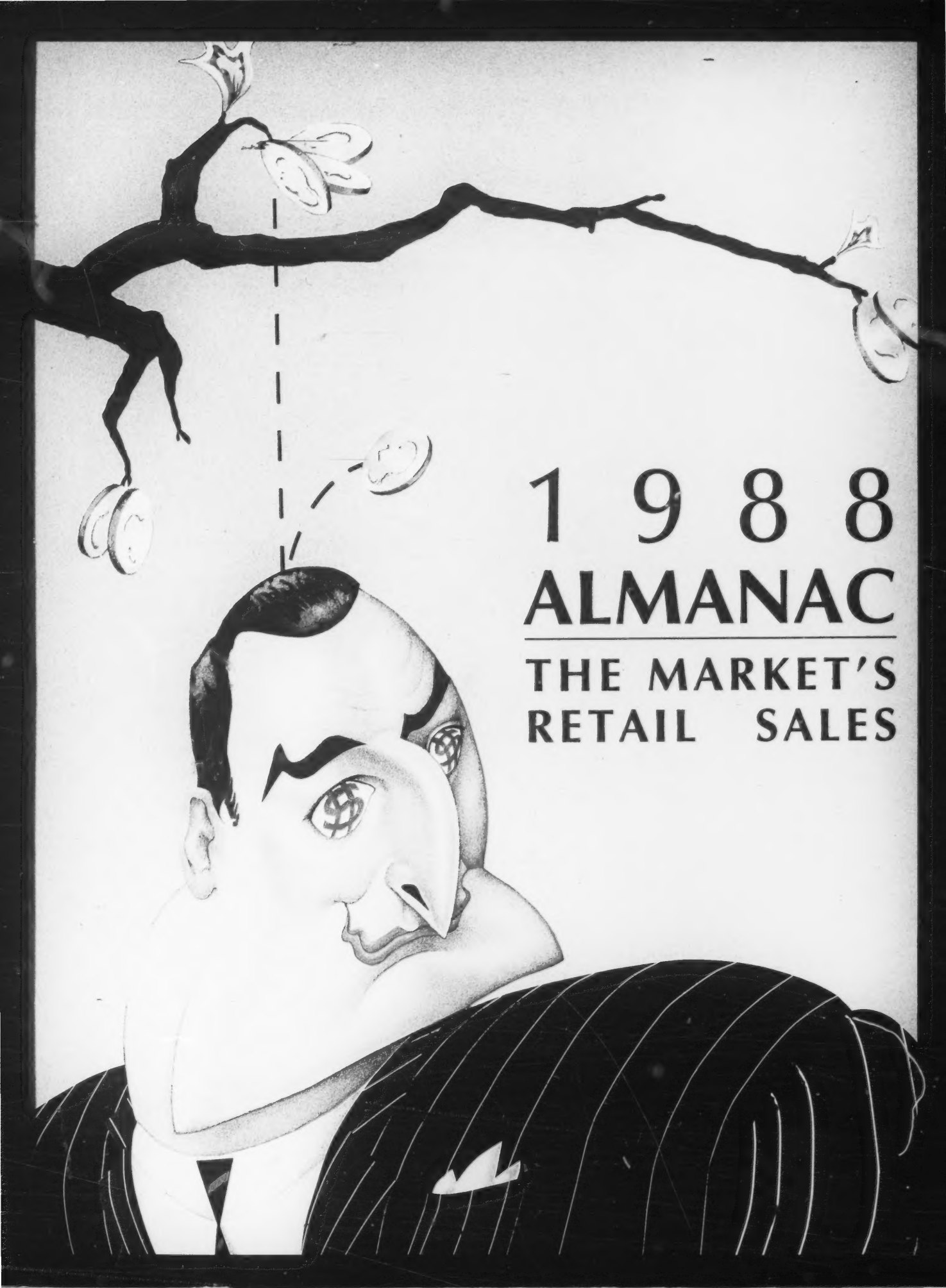
Worldwide and domestic military exchanges maintained their 1986 eighth and eleventh rankings again in 1987.

LARGEST SUPERMARKET CHAINS 1987

1 Kroger	$ 17.1
2 Safeway	17.0
3 American Stores	14.1
4 Winn-Dixie	8.8
5 A & P	7.8
6 Lucky	6.4
7 Albertson's	5.4
8 Worldwide Commissaries	**5.3**
9 Supermarkets General	5.1
10 Domestic Commissaries	**4.2**

$ in billions.

Source: Civilian supermarket sales are as published in "Top 50 Retail Chains (FY 1987)," *Supermarket News*, January 11, 1988, issue, page 11. Military commissary sales are as reported by the headquarters offices of the various commissary systems. Commissary sales include the 5-percent surcharge.



1988 ALMANAC

THE MARKET'S RETAIL SALES

deglamorization

(de′glam ə ri za′shən) *n.* **1.** a deglamorizing or being deglamorized **2.** something made less alluring, less interesting **3.** the U.S. military's campaign against smoking tobacco in its ranks — that's changed the rules for tobacco marketers and sales representatives.

MARKET SHARES OF MAJOR CIGARETTE COMPANIES

	Overall Military	AAFES	AFCOMS	Coast Guard	NEX	MCX	TSA
American	9.74%	6.00%	11.18%	12.56%	10.78%	8.68%	9.44%
Brown & Williamson	11.03%	8.00%	8.48%	10.33%	16.60%	8.76%	11.62%
Liggett & Myers	12.66%	10.50%	15.21%	8.43%	1.45%	5.31%	16.40%
Lorillard	5.28%	9.50%	4.20%	6.74%	5.82%	7.37%	4.12%
Philip Morris	31.69%	40.00%	29.29%	33.95%	37.40%	45.32%	28.39%
R.J. Reynolds	29.60%	26.00%	31.64%	27.99%	27.95%	24.56%	30.03%

Figures are expressed in terms of percents of cigarette unit sales in the United States, excluding overseas. Figures exclude the six Navy commissaries which stock cigarettes.
SOURCES: AAFES figures are based on AAFES data. All others are from Management Science Associates, as of June, 1988.

Is It Business As Usual?

"It's probably the touchiest item in the military resale system today. We're trying to operate with the guidelines they're giving, but we're walking on eggs here. We are fortunate to still be in some of these stores."

1987 ON-BASE CIGARETTE SALES IN UNITS

DOMESTIC	
Exchanges	10,049,077,000
Commissaries	11,399,245,000
Total	**21,448,322,000**
WORLDWIDE	
Exchanges	13,522,121,000
Commissaries	13,953,075,000
Total	**27,475,196,000**

SOURCE: Army Times Research Department

Reports by Karen McBeth

Last year, the military's deglamorization campaign against tobacco lit a fire that left manufacturers feeling somewhat scorched: Overall fiscal 1987 tobacco sales declined by an average of 10 percent.

But this year, the flames seem to have died down, although company representatives and store managers are tiptoeing warily on the hot embers. Military tobacco sales are still in a slump, but the decline has lessened to around 6 percent.

Tobacco company representatives agree they can live with the Defense Department guidelines. But is it back to business as usual? Not quite.

"It's probably the touchiest item in the military resale system today," one military sales manager told MILITARY MARKET.

"We're trying to operate with the guidelines they're giving, but we're walking on eggs here. We are fortunate to still be in some of these stores."

Ambiguity over the Tobacco Question Lingers

The ambiguity over the military tobacco issue lies in the fact that, while the health hazards of smoking are nearly irrefutable, the dollars the industry provides are often indispensable. In commissaries, tobacco sales can represent anywhere from 10 to 24 percent of grocery department sales.

As far as the military is concerned, one sales manager said, "The military lets it be known they would rather have soldiers not smoking, and that's the business you're dealing with. But on the other hand, in the stores they're not banning us. We're still a stocking item. Shoppers will make their decision."

This year saw the services expanding their smoking cessation programs and further restricting areas where personnel can smoke. The Army doesn't allow smoking during basic training. The Air Force Commissary Service has made smoking suppressants a mandatory item.

The ambiguity over the military tobacco issue lies in the fact that, while the health hazards of smoking are nearly irrefutable, the dollars the industry provides are often indispensable.

Do tobacco sales reflect fewer smokers? The Defense Department says yes, but others disagree.

"I don't think people have stopped smoking, but the incidence of smoking has obviously been reduced," said Ralph Gaillard, director of military sales for R.J. Reynolds Tobacco Co. "The enforcement of the state law and the overall deglamorization have reduced it so people aren't smoking as much, because they *can't*."

Irv Otte, director of military and vending for Brown and Williamson, said that while the company lost sales in the military in 1987, this year sales are up, and the company's market share has increased.

"The best segment for Brown and Williamson this year is the military," he said.

On the whole, tobacco MSMs seem less upset about the limitations on in-store promotions than they were last year. "When promotions are stopped, there's a decline in sales immediately thereafter, but the sales generally come back," one company representative said.

How Cigarettes Fared in the Military World

The Army and Air Force Exchange Service reports that the number of cigarettes purchased has declined over last year, while dollar sales remain at about the same level because of price increases.

Dean Weller, a buyer of tobacco and accessories for AAFES, said exchange shoppers purchased 552,000 fewer cartons of cigarettes in fiscal 1987 than in fiscal 1986.

AAFES' tobacco sales in fiscal 1987 totaled $129 million, and Weller said this year's sales probably will be down slightly — at the most, by 2 percent. Weller said he expects sales to go down in the future, in part because of the deglamorization campaign.

AAFES has increased the number of line items of cigarettes it carries — from 40 to 50 for stores supplied by warehouses, and from 60 to 75 for stores on the open order system, Weller said. "We weren't offering our customers as much assortment as we could," he explained.

Tobacco products make up 2.85 percent of AAFES sales, and 95 percent of the category is cigarettes, Weller said.

Tobacco products are sold in all Navy Resale and Services Support Office exchanges, but they are only available in six NAVRESSO commissaries: Pearl Harbor, Guam, Atsugi, Chinae, the Naval Station Charleston, S.C., and the Charleston Naval Weapons Station. (Cigarettes are not sold in Navy hospitals.)

Worldwide cigarette sales in Navy exchanges steadied at $101.9 million for fiscal 1987, said NAVRESSO spokeswoman Maureen Murray. In fiscal 1988, the Navy projects sales lowering a bit to $101 million.

Bill Cook, a commissary merchandising specialist for NAVRESSO, told MILITARY MARKET that, as of July 1988, tobacco sales in Navy commissaries totaled $7,301,179. He said that if sales continue at that rate, fiscal 1988 will show a 6.2 percent increase in tobacco sales over fiscal 1987. Last year, tobacco sales in Navy commissaries were $8.3 million, an increase of 17.5 percent over fiscal 1986.

Cook said the Pearl Harbor store accounts for half of commissary tobacco sales, while Chinae and Atsugi ring up $200,000 in combined sales.

Tobacco sales in the two ConUS stores are flat, according to Jack Spence, grocery merchandiser for the Charleston commissaries. He said that two years ago, the two stores cut back the number of tobacco line items to 90, but for inventory's sake they have since increased that number to 120. He said this number will remain the same.

The Troop Support Agency reports that cigarette sales are continuing to decline by about 7 percent per year, but that this year might show a slight increase in sales. Sales in fiscal 1987 declined by 11 percent, according to the Defense Department.

Tobacco sales for the Air Force Commissary Service are down six percent so far in fiscal 1988, according to spokesman Mike Hawkins. He said AFCOMS estimates that 10 percent of all grocery sales comes from tobacco, which means tobacco sales were $17.3 million for fiscal 1987. The Master Stock List allows for 100 items.

Marine Corps Exchanges report that tobacco sales were $15,136,000 in fiscal 1987. Marine commissaries don't stock tobacco.

Price Value Category Burns the High-priced Brands

Military buyers and sales managers agree that the fastest-growing category in the tobacco industry is the "low-price branded" group. This is a mid-price range of branded cigarettes. Generic cigarettes — the "black and whites" — are also growing, but not as significantly. Low-tar and female-oriented brands continue to occupy niches.

AAFES buyer Dean Weller said Doral and Cambridge

Lighter Biz Responds To Safety Concerns — and Flat Sales

Sales in the cigarette lighter industry have been generally flat. And things may get tougher.

This year has seen pressure from the Consumer Product Safety Commission for producers of lighters to make products that are child-resistant. Manufacturers say they are concerned about the issue and are working to come out with such products as soon as possible.

"The challenge is to make a lighter that's too tough for children to use but that is still practical for adults," said Gary Prushansky, communications director for Bic Corp. "We are on the forefront of the research for a child-resistant design. We've tested it, but we're still in the development stage."

Gillette has introduced a new line of Cricket lighters that have "state of the art safety features," said Steve Pedersen, director of marketing in the government markets division. He said the new Cricket 6000s are easier for an adult to use, while the wheel and button mechanism makes it harder for children to use. However, this lighter does not satisfy the CPSC's definition of "child-resistant."

Scripto will introduce a new lighter called Tiny Lite this month, which will compete with Bic's Mini Bic. The tiny lighters have a niche with younger smokers.

market report

MILITARY TOP-SELLERS

1 — Marlboro King Size Filters, hard box
2 — Marlboro King Size Filters, soft pack
3 — Winston King Size Filters
4 — Marlboro Light King Size Filters
5 — Kool King Size Filters, Menthol
6 — Pall Mall King Size Non-Filtered
7 — Doral 100s
8 — L&M Class A Generic, Light King Size Filters
9 — L&M Class A Generic, Light 100s
10 — Marlboro Light 100s

MILITARY PREFERRED TAR DELIVERY

Full Taste	40.20%
Hi-Filtration	59.80%
0-5 mg	5.89%
6-9 mg	13.04%
10-13 mg	30.42%
14-15 mg	10.45%
16 plus mg	40.20%

Commissaries and exchanges, as of June, 1988, for U.S. only; excludes overseas. Includes Coast Guard, but excludes the six Navy commissaries which stock cigarettes.
SOURCE: Management Science Associates

Where There's No Smoke, There's Still Fire

The hot subject in recent months has been R.J. Reynolds' so-called "smokeless" cigarette, which is actually a misnomer, according to military sales manager Ralph Gaillard and other company spokespeople. The cigarette, which heats but does not burn tobacco, does have some smoke, Gaillard said.

With anti-smoking advocates clamoring to have the Food and Drug Administration oversee the cigarette because of its possible health claims, Reynolds is being very careful to market its new Premier brand as "the cleaner smoke."

This is not to say it's a healthier smoke. Gaillard described the cigarette as having no tar and 0.4 milligrams of nicotine. He said the smoke from the cigarette is aromatic and dissipates "almost immediately."

Beginning Oct. 1, Premier will be test marketed in Arizona and in 35 counties in Missouri, Gaillard said. It will be available in all Arizona exchanges and commissaries and in the single AAFES store in Missouri.

are the top-sellers in AAFES in the mid-price category, and they grew by 82 percent last year. Sales for these brands increased from 163,000 cartons in fiscal year 1986 to 296,000 cartons for fiscal 1987. However, Weller said this category accounts for only about three percent of total cigarette sales in AAFES.

Generic cigarettes account for about 10 percent of cigarette sales in ConUS exchanges, and the category grew by 10 percent last year, Weller said. However, he added that generics do not do as well overseas.

B&W's Irv Otte said the low-price branded and plain labels together represent 29 percent of all military cigarette sales and are predicted to go to 50 percent.

Deborah Harris, national accounts military manager for L&M, agrees that the price value category represents about 30 percent of total military cigarette sales, and compares this figure to a 10 percent share of the civilian cigarette market.

Management Science Associates (MSA), which tracks cigarette sales in the military, places the combined percentage of branded generics and generics at 28 percent.

B&W plans to reduce its whole Viceroy line to the low-price branded range as of Jan. 1, according to military director Otte. The company now has two brands in this range — Falcon and Richland 20s. This spring the firm expanded its Richland brand when it introduced the 20s pack version.

"Richland is a huge success story," Otte said. Otte also said MSA data showed that B&W's GPC generic brand is the fastest-growing cigarette brand in the military.

L&M is concentrating more on its generic brand, Class A, which holds the eighth and ninth spots in the overall U.S. military cigarette market, according to MSA. Military manager Harris said Class A holds a 12.3 percent share of the military cigarette market. Harris added that, according to MAMI data, Class A was the No. 1 seller in the military market earlier this year, and it continues to be the No. 2 selling brand.

L&M also plans to introduce its L&M 30s to the military market soon. Harris describes them as a price-value product where 30 cigarettes sell for the price of 20.

L&M's Deborah Harris explained the success of low-priced cigarettes in the military: "The military consumer is a more price-conscious shopper, I guess because he's used to getting the lowest possible price."

Philip Morris' Ted Costas, national sales manager, military accounts, said the value brands are growing in the military market because of the large portion of military who are retired and watching their spending.

Lights and Thins — Still a Growing Segment?

Costas sees the light cigarettes to be another growing segment. In January, Philip Morris came out with a Marlboro Lights menthol cigarette in 85s and 100s sizes to expand the Marlboro line.

Marlboro is the No. 1 selling cigarette in the military, and Costas said it is No. 1 in the country and in the world.

The slim cigarettes that are targeted toward female smokers continue to occupy a niche. Some company representatives see this segment to be growing, while others perceive it to be flat.

This year, Brown and Williamson concluded distribu-

market report

MILITARY PREFERRED CIGARETTE LENGTH

70-72 mm	1.88%
80-85 mm	49.98%
100 mm	45.73%
100-plus mm	2.40%

MILITARY PREFERRED CIGARETTE FLAVORS

Plain	5.23%
Full taste filter	38.61%
Light filter	43.71%
Ultra light filter	12.39%

Commissaries and exchanges, as of June, 1988, for U.S. only; excludes overseas. Includes Coast Guard, but excludes the six Navy commissaries which stock cigarettes.
SOURCE: Management Science Associates

Updating the Cigar

The image of the old, fat, stinky cigar is out of date, according to military sales managers for cigar manufacturers. The trend is toward smaller, sweeter and more aromatic cigars. Flavored cigars are also on the upswing.

"We've introduced some new sweet products that are up-to-date, away from the old foul, fat, perfecto cigars like grandfather used to smoke," said W. Tommy Morgan, military sales manager for Havatampa/Phillies Cigar Co.

Lewis B. Myers, manager of military and export sales for Consolidated Cigar Co., also sees this as an up year. He said Dutch Masters is the No. 1 brand in the military.

"We've weathered the storm," Myers said. "We're up a little bit this year dollar-wise, and in units we're somewhat level."

Both sales managers see the services beginning to modernize their cigar selections, getting rid of outdated brands and styles. They said that, until now, the exchanges often had outdated types dating back to the '50s.

General Cigar Co. introduced its new Tijuana Smalls aromatic cherry flavored cigars in January. Ken Zick, a marketing manager for the company, said they are cigarette-sized. In March, the company came out with Garcia y Vega Whiffs, a very small edition to the old line.

"The market's in transition," Zick said. "Customers are buying different types of cigars now. The new products we introduced are for broader appeal."

The smokeless tobacco industry is a $1-billion dollar business that declined by about 3.2 percent in 1987, according to the Smokeless Tobacco Council. Half of the industry sales are for snuff, while the other half is for chewing tobacco. Ward Hubbell, a spokesman for the council, said industry analysts say the moist snuff area is on the verge of growth.

tion in the military for its ultra-slim Capri cigarette brand, introduced a little over a year ago.

L&M's Eves 120s have continued to grow, according to military manager Harris. The company is expanding the brand to include new Eve Ultra Lights in both filter and menthol styles. It will also become available in a crush proof box.

Lorillard introduced its Newport Stripes brand in March. The brand is targeted toward female smokers and is available in both menthol and non-menthol varieties.

Philip Morris' Costas doesn't believe the female slim cigarettes are growing. He sees the category to be flat.

Restrictions Create Some New Merchandising

Merchandising tobacco products is different in the military than it is in the civilian retail world, and it varies between commissaries and exchanges. But not all of the differences are a result of the deglamorization campaign.

DoD's Directive 1010.10 precluded the use of point-of-purchase displays, VPRs, promotions and samples in commissaries. Tobacco manufacturers are operating resignedly under the guidelines. Some have simply done without the extra promotional activities, while others have moved to other methods of marketing.

"We've taken the dollars that we would've used for promotions and devoted them to couponing," L&M's Harris said. "We've also developed a mailing list."

"We've changed strategies," said B&W's Otte. "We've started value-for-money ads in the military media. In commissaries, we have in-store coupons. In exchanges, we have buy-one-get-one-free and coupon offers."

According to military manager Costas, Philip Morris is cooperating with the DoD restrictions, using on-carton coupons, but in the same quantities as before the guidelines were imposed. Nor is the company increasing other marketing efforts, Costas said.

The area where the limitations have the most effect is on new product introductions, military sales managers agree. "Deglamorization of cigarettes in the military has made it more difficult to market our products to the consumer, especially new brands," L&M's Harris said.

AAFES buyer Dean Weller said some important considerations for merchandising the items is to keep them in stock and to make them convenient to the customer. He said that some exchanges have moved the location of the cigarette department, with good results.

"One store moved them from the back to the front," Weller noted. "They used free fixtures supplied by the company which were very efficient, space saving. There was a sharp jump in sales which lasted a whole year."

Company representatives have different ideas about the best way to merchandise cigarettes.

"Vertical merchandising is best — all of one company in one area," said PM's Costas. He also said the merchandising system in exchanges is better than in commissaries, where cigarettes must be loaded by the full case. Costas said in exchanges, where manufacturers can have their own fixtures, they can allow more space for the better-selling brands if they want to.

B&W's Otte also believes that vertical merchandising is better, and he added that carton spinner racks tend to limit the space available. Gaillard of R.J. Reynolds said horizontal merchandising is best. MM